

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham &amp; Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Township of Fulton  
Gratiot County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2004**

Township of Fulton  
Gratiot County, Michigan  
March 31, 2004  
BOARD OF TRUSTEES

Mr. William A. Burnham	Supervisor
Mrs. Diane Ruedger	Clerk
Mrs. Josephine Kissane	Treasurer
Mr. Glen Winsor	Trustee
Mr. Harry Vaughn, Jr.	Trustee

Township of Fulton  
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Principals

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Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Fulton  
Perrinton, Michigan

We have audited the accompanying general purpose financial statements of the Township of Fulton, Michigan as of and for the year ended March 31, 2004 as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Fulton, Michigan as of March 31, 2004, and the results of its operations and cash flows of its proprietary and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements, and additional information listed in the Table of Contents under Supplemental Financial Information, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Fulton, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 10, 2004

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

Township of Fulton

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Governmental Fund Types			Proprietary Funds		Fiduciary Fund Types	Account Group
	General	Special Revenue	Debt Service (#3 Sewer)	Enterprise	Internal Service (Equipment)	Trust and Agency	General Fixed Assets
<b>ASSETS</b>							
Cash and cash equivalents	\$ 269,783	\$ 9,890	\$ 21,721	\$ 935,117	\$ 33,660	\$ 22,462	\$ -
Investments	-	-	-	527,475	-	-	-
Receivables							
Due from other governmental units - local	4,767	885	-	19,431	16	-	-
Accounts	-	-	-	25,845	-	-	-
Special assessments	-	-	-	279,106	-	-	-
Interest	-	-	-	4,262	-	-	-
Due from other funds	11,839	-	-	3,175	622	-	-
Advance to other funds	-	-	-	30,755	-	-	-
Fixed assets (net of accumulated depreciation)	-	-	-	938,616	41,546	-	283,959
Prepaid expenditures	199	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 286,588</b>	<b>\$ 10,775</b>	<b>\$ 21,721</b>	<b>\$ 2,763,782</b>	<b>\$ 75,844</b>	<b>\$ 22,462</b>	<b>\$ 283,959</b>
<b>LIABILITIES</b>							
Payables							
Accounts	\$ 4,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer deposits	575	-	-	-	-	-	-
Due to other funds	145	2,532	-	12,804	-	155	-
Advance from other funds	-	-	-	30,755	-	-	-
Due to other governmental units							
Local	-	-	-	380	-	-	-
Accrued liabilities	1,921	-	-	4,537	-	-	-
Bonds payable	-	-	-	188,527	-	-	-
<b>TOTAL LIABILITIES</b>	<b>7,089</b>	<b>2,532</b>	<b>-0-</b>	<b>237,003</b>	<b>-0-</b>	<b>155</b>	<b>-0-</b>
<b>FUND EQUITY</b>							
Contributed capital	-	-	-	2,289,845	-	-	-
Investment in general fixed assets	-	-	-	-	-	-	283,959
Retained earnings							
Unreserved	-	-	-	236,934	75,844	-	-
Fund balance							
Reserved for debt service	-	-	21,721	-	-	-	-
Reserved for perpetual care	-	-	-	-	-	22,307	-
Unreserved							
Designated for subsequent year's expenditures	39,303	-	-	-	-	-	-
Undesignated	240,196	8,243	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<b>279,499</b>	<b>8,243</b>	<b>21,721</b>	<b>2,526,779</b>	<b>75,844</b>	<b>22,307</b>	<b>283,959</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 286,588</b>	<b>\$ 10,775</b>	<b>\$ 21,721</b>	<b>\$ 2,763,782</b>	<b>\$ 75,844</b>	<b>\$ 22,462</b>	<b>\$ 283,959</b>

See accompanying notes to general purpose financial statements.

Township of Fulton

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

	General	Special Revenue	Debt Service (#3 Sewer)
REVENUES			
Taxes	\$ 53,837	\$ -	\$ -
Licenses and permits	470	-	-
Intergovernmental	136,395	-	-
Charges for services	4,628	-	-
Interest and rents	6,236	-	122
Special assessments	-	7,208	-
Other	6,674	-	-
	<u>208,240</u>	<u>7,208</u>	<u>122</u>
TOTAL REVENUES	208,240	7,208	122
EXPENDITURES			
General government	96,748	200	-
Public safety	25,600	-	-
Public works	69,844	6,258	-
Community and economic development	1,059	-	-
Other	8,665	-	111
	<u>201,916</u>	<u>6,458</u>	<u>111</u>
TOTAL EXPENDITURES	201,916	6,458	111
EXCESS OF REVENUES OVER EXPENDITURES	6,324	750	11
OTHER FINANCING SOURCES			
Operating transfers in	288	-	-
	<u>288</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	6,612	750	11
Fund balances, beginning of year	<u>272,887</u>	<u>7,493</u>	<u>21,710</u>
Fund balances, end of year	<u>\$ 279,499</u>	<u>\$ 8,243</u>	<u>\$ 21,721</u>

See accompanying notes to general purpose financial statements.



Township of Fulton

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended March 31, 2004

	General Fund			Special Revenue Funds		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 53,540	\$ 53,837	\$ 297	\$ -	\$ -	\$ -0-
Licenses and permits	500	470	(30)	-	-	-0-
Intergovernmental	132,000	136,395	4,395	-	-	-0-
Charges for services	6,000	4,628	(1,372)	-	-	-0-
Interest and rents	6,700	6,236	(464)	-	-	-0-
Special assessments	-	-	-0-	7,050	7,208	158
Other	1,400	6,674	5,274	-	-	-0-
TOTAL REVENUES	200,140	208,240	8,100	7,050	7,208	158
EXPENDITURES						
General government	110,825	96,748	14,077	200	200	-0-
Public safety	25,600	25,600	-0-	-	-	-0-
Public works	82,548	69,844	12,704	6,430	6,258	172
Community and economic development	1,250	1,059	191	-	-	-0-
Other	9,200	8,665	535	-	-	-0-
TOTAL EXPENDITURES	229,423	201,916	27,507	6,630	6,458	172
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,283)	6,324	35,607	420	750	330
OTHER FINANCING SOURCES						
Operating transfers in	800	288	(512)	-	-	-0-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(28,483)	6,612	35,095	420	750	330
Fund balances, beginning of year	272,887	272,887	-0-	7,493	7,493	-0-
Fund balances, end of year	\$ 244,404	\$ 279,499	\$ 35,095	\$ 7,913	\$ 8,243	\$ 330

See accompanying notes to general purpose financial statements.

Township of Fulton

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS/FUND BALANCE - PROPRIETARY FUND TYPE  
TYPES AND NONEXPENDABLE TRUST FUND

Year Ended March 31, 2004

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service (Equipment)	Nonexpendable Trust Fund (Cemetery Perpetual Care)
OPERATING REVENUES			
Sewer usage charges	\$ 83,561	\$ -	\$ -
Equipment rentals	-	8,294	-
Other	700	-	-
TOTAL OPERATING REVENUES	84,261	8,294	-0-
OPERATING EXPENSES			
Salaries and wages	18,708	-	-
Social security	1,453	-	-
Other fringe benefits	500	-	-
Health insurance	8,988	-	-
Workers' compensation	680	-	-
Supplies	1,171	270	-
Professional services	1,331	250	-
Utilities	8,796	2,160	-
Equipment rental	1,968	140	-
Repairs and maintenance	24,226	623	-
Insurance	1,068	3,960	-
Depreciation	61,077	7,115	-
Miscellaneous	406	-	-
TOTAL OPERATING EXPENSES	130,372	14,518	-0-
OPERATING (LOSS)	(46,111)	(6,224)	-0-
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	35,903	271	218
Interest and fiscal charges	(12,802)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	23,101	271	218
INCOME (LOSS) BEFORE TRANSFERS	(23,010)	(5,953)	218
TRANSFERS OUT			
Operating transfer out	-	-	(288)
NET (LOSS)	(23,010)	(5,953)	(70)
Retained earnings/fund balance, beginning of year	259,944	81,797	22,377
Retained earnings/fund balance, end of year	\$ 236,934	\$ 75,844	\$ 22,307

See accompanying notes to general purpose financial statements.

Township of Fulton

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY  
FUND TYPES AND NONEXPENDABLE TRUST FUND

Year Ended March 31, 2004

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service (Equipment)	Nonexpendable Trust Fund (Cemetery Perpetual Care)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)	\$ (46,111)	\$ (6,224)	\$ -
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	61,077	7,115	-
Decrease in receivables	15,350	-	70
(Increase) decrease in due from other funds	425	(125)	-
(Decrease) in accrued liabilities	(368)	-	-
Increase (decrease) in due to other funds	8,169	(287)	(11)
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,542	479	59
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out to other funds	-	-	(288)
Payments on advance to other funds	1,559	-	-
Payments on advance from other funds	(1,559)	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-0-	-0-	(288)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	35,903	271	218
Maturity of investments	66,327	-	10,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	102,230	271	10,218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(23,621)	(722)	-
Payment of bonds payable	(3,309)	-	-
Interest and fiscal charges	(12,802)	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(39,732)	(722)	-0-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	101,040	28	9,989
Cash and cash equivalents, beginning of year	834,077	33,632	12,473
Cash and cash equivalents, end of year	\$ 935,117	\$ 33,660	\$ 22,462

See accompanying notes to general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP**

Fulton Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) Townships in Gratiot County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, sewer, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No.5, these financial statements present all financial activities of the Township of Fulton. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of Fulton Township contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND TYPES

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds (Pompeii Street Lighting, Middleton Street Lighting) - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.
- c. Debt Service Fund (1973 Sewer #3 Debt Service) - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PROPRIETARY FUND TYPES

- a. Enterprise Funds (Gratiot County Sanitary Sewage Disposal Systems #5 and #6 and Pompeii Sewer) - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP - CONTINUED**

PROPRIETARY FUND TYPES - CONTINUED

- b. Internal Service Fund (Equipment Fund) - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

- a. Nonexpendable Trust Fund (Cemetery Perpetual Care) - The Trust Fund is used to account for assets held by the Township in a trustee capacity for individuals and other funds. The Cemetery Perpetual Care Fund is a nonexpendable trust fund and is accounted for essentially in the same manner as proprietary funds.
- b. Agency Fund (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets of the Township other than those accounted for in the proprietary funds and the nonexpendable trust fund.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and similar trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Accounting - continued

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues, which are considered measurable but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt, which is recorded when due.

All proprietary and nonexpendable trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled receivables of all proprietary funds are recorded at year-end.

3. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and total expenditure level for the Special Revenue Fund.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year.

4. Cash and Investments

Cash consists of cash on hand and checking accounts.

Investments include U.S. Government Securities and certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools when there was a material difference between cost and market. If cost approximated market value, investments were stated at cost, adjusted for accumulated amortization of premium and accretion of discount. Premiums are amortized (deducted) and discounts are accredited (added) to interest revenue using the straight-line method over the term of the investment. The certificates of deposit held by the Township at year-end are classified as investments.

Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Property Tax

Fulton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 31, Taxes are levied December 1 and are payable through February 28. All property taxes not paid by February 28 are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2004, the Township levied .8720 mills for general governmental services. The total taxable value for the 2003 levy for property within the Township was \$48,780,363.

6. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewer System	40 years
Machinery and equipment	3 - 20 years

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Pompeii Sewer

The Pompeii Sewer project, a joint project between Fulton and Washington Townships, is being administered by Fulton Township. The Township is responsible for paying bills related to construction and general operations of the system along with the collecting of sewer usage and special assessment revenue. Fulton Township's share of the activity has been recorded in the Township's financial statements because the system is partially owned by the Township. The Township's percentage share of the system is 66.15 percent.

8. Comparative Data

Comparative data for the General and Special Revenue Funds has been presented in the accompanying financial statements in order to provide an understanding of changes in the Fund's financial position and operations of each fund. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE C: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 Days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.



Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE C: CASH AND INVESTMENTS - CONTINUED**

Deposits

The Township's deposits at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking accounts	\$ 1,292,483	\$ 1,322,756
Investments		
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
	<u>\$ 1,392,483</u>	<u>\$ 1,422,756</u>

The cash caption on the combined balance sheet includes \$150 of cash on hand.

Deposits of the Township are maintained with federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2004, the Township's accounts were insured by the FDIC for \$200,000 and the amount of \$1,222,756 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Investments

As of March 31, 2004, the carrying amounts and market values for each type of investment as reported in the investments caption on the combined balance sheet are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name		
U.S. Treasury Notes	\$ 168,971	\$ 168,971
Federal Home Loan Mortgage Corporation Notes	<u>258,504</u>	<u>258,504</u>
	<u>\$ 427,475</u>	<u>\$ 427,475</u>

The investment in U.S. Treasury and FHLMC notes are not insured but are backed by the full faith and credit of the Federal government.

Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		General	
Pompeii Street Lighting	\$ 321	Equipment	\$ 145
Middleton Street Lighting	2,211		
Sewer #6	3,125	Special Revenue	
Current Tax Collections	155	Pompeii Street Lighting	
Pompeii sewer	1,198	General	321
Sewer #5	<u>4,829</u>	Middleton Street Lighting	
	11,839	General	<u>2,211</u>
			2,532
Enterprise		Enterprise	
Sewer #5		Sewer #5	
Pompeii sewer	3,175	General	4,829
		Equipment	335
Internal Service		Sewer #6	
Equipment		General	3,125
General	145	Equipment	110
Sewer #5	335	Pompeii sewer	
Sewer #6	110	General	1,198
Pompeii sewer	<u>32</u>	Equipment	32
	<u>622</u>	Sewer #5	<u>3,175</u>
			12,804
		Trust and Agency	
		Current Tax Collections	
		General	<u>155</u>
	\$ <u>15,636</u>		\$ <u>15,636</u>

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between the funds at March 31, 2004:

<u>Fund</u>	<u>Advance To</u>	<u>Fund</u>	<u>Advance From</u>
Enterprise		Enterprise	
Sewer #5		Pompeii Sewer	
Pompeii Sewer	\$ <u>30,755</u>	Sewer #5	\$ <u>30,755</u>

Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE F: FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance Apr. 1, 2003	Additions	Deletions	Balance Mar. 31, 2004
Land and improvements	\$ 22,505	\$ -	\$ -	\$ 22,505
Buildings	221,251	-	-	221,251
Furniture and fixtures	4,914	-	-	4,914
Machinery and equipment	<u>35,289</u>	<u>-</u>	<u>-</u>	<u>35,289</u>
	<u>\$ 283,959</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 283,959</u>

The following is a summary of Proprietary Fund Type property, plant, and equipment at March 31, 2004:

	Historical Cost	Accumulated Depreciation	Net Book Value
Gratiot County Sanitary Sewage System No. 5			
Sewer lines	\$ 766,789	\$ 546,359	\$ 220,430
Pumping stations	404,858	321,289	83,569
Equipment	<u>87,066</u>	<u>54,774</u>	<u>32,292</u>
	1,258,713	922,422	336,291
Gratiot County Sanitary Sewage System No. 6			
Lagoon	80,000	58,165	21,835
Sewer lines	530,453	358,208	172,245
Pumping station	50,000	50,000	-0-
Equipment	<u>31,053</u>	<u>21,389</u>	<u>9,664</u>
	691,506	487,762	203,744
Gratiot County Sanitary Sewage System Pompeii Sewer Sewer System	<u>470,995</u>	<u>72,414</u>	<u>398,581</u>
Total Enterprise Funds	<u>\$ 2,421,214</u>	<u>\$ 1,482,598</u>	<u>\$ 938,616</u>
Internal Service Fund Equipment Fund Equipment	<u>\$ 106,525</u>	<u>\$ 64,979</u>	<u>\$ 41,546</u>

Depreciation expense for the year ended March 31, 2004, amounted to \$61,077 and \$7,115, for the Enterprise Funds and Internal Service Fund, respectively.

Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2004:

	Balance <u>Apr. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Mar. 31, 2004</u>
Enterprise Funds				
Pompeii Sewer				
Revenue Bonds	\$ 191,836	\$ -	\$ 3,309	\$ 188,527

Significant details regarding the outstanding long-term debt (including current portion) are presented below:

\$320,000 County of Gratiot, Pompeii Community Sanitary Sewer System Bonds. These bonds are split \$211,680 and \$108,320 between Fulton and Washington Township's respectively. Bonds are dated August 1, 1996. Fulton Township's annual installments range from \$3,310 to \$13,230 through May 1, 2022, with interest ranging from 5.1 to 6.0 percent, payable semi-annually.

\$ 188,527

The annual requirements to pay the debt principal and interest outstanding as of March 31, 2004, are as follows:

<u>Year Ending March 31,</u>	<u>County of Gratiot Pompeii Community Sewer Bonds</u>
2005	\$ 14,145
2006	17,199
2007	16,858
2008	16,511
2009	16,157
2010-2014	86,974
2015-2019	84,916
2020-2023	<u>59,271</u>
	312,031
Less: interest	<u>( 123,504 )</u>
	<u>\$ 188,527</u>

**NOTE H: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of March 31, 2004:

Debt Service Fund (Sewer #3)	
Reserved for debt service	\$ 21,721

Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE H: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED**

Trust and Agency Funds	
Cemetery Perpetual Care	
Reserved for perpetual care	\$ 22,307
	<u>\$ 44,028</u>

The following are the various fund balance designations as of March 31, 2004:

General Fund	
Designated for subsequent year's expenditures	\$ 39,303

**NOTE I: SEGMENT INFORMATION**

The Township operates the Sewer #5, #6, and Pompeii Sewer utilities providing services to the various Township residents. Segment information for the year ended March 31, 2004, is as follows:

	<u>Sewer #5</u>	<u>Sewer #6</u>	<u>Pompeii Sewer</u>	<u>Total</u>
Operating revenue	\$ 41,363	\$ 36,008	\$ 6,890	\$ 84,261
Operating expenses				
Depreciation	32,379	16,923	11,775	61,077
Other	36,088	25,620	7,587	69,295
Operating (loss)	( 27,104 )	( 6,535 )	( 12,472 )	( 46,111 )
Nonoperating revenue (expenses)				
Interest	32,519	2,453	931	35,903
Interest and fiscal charges	-	-	( 12,802 )	( 12,802 )
Net income (loss)	5,415	( 4,082 )	( 24,343 )	( 23,010 )
Contributed capital	1,207,820	455,627	626,398	2,289,845
Net working capital	1,267,707	181,721	61,392	1,510,820
Total assets	1,647,252	388,700	727,830	2,763,782
Long-term liabilities				
Bonds payable	-	-	188,527	188,527
Advances from other funds	-	-	30,755	30,755
Total equity	1,641,708	385,465	499,606	2,526,779

**NOTE K: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Township also maintains commercial insurance coverage for workers' compensation.

Township of Fulton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE L: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by Fulton Township no later than the fiscal year ending March 31, 2005; the retroactive reporting of infrastructures, if any, must be implemented no later than the year ending March 31, 2009.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

Township of Fulton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended March 31, 2004

With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
REVENUES				
Taxes				
Current tax levy	\$ 41,500	\$ 42,164	\$ 664	\$ 41,090
Administrative fees	12,000	11,633	(367)	11,730
In-lieu of taxes	40	40	-0-	40
Total taxes	53,540	53,837	297	52,860
Licenses and permits				
Zoning permits	500	470	(30)	650
Intergovernmental				
State shared revenue				
Sales and use tax	132,000	136,395	4,395	148,929
Charges for services				
Cemetery	6,000	4,628	(1,372)	8,303
Interest and rents				
Interest	4,500	3,466	(1,034)	6,359
Rentals	2,200	2,770	570	2,740
Total interest and rents	6,700	6,236	(464)	9,099
Other				
Reimbursements - fire runs	1,000	800	(200)	585
Miscellaneous	400	5,874	5,474	209
Total other	1,400	6,674	5,274	794
TOTAL REVENUES	200,140	208,240	8,100	220,635



Township of Fulton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004  
With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES				
General government				
Township board				
Per Diem	\$ 2,000	\$ 1,725	\$ 275	\$ 1,725
Postage	600	659	(59)	574
Supplies	100	65	35	46
Professional services	2,000	2,528	(528)	1,501
Printing and publishing	400	-	400	244
Dues	1,000	972	28	944
Miscellaneous	450	384	66	242
Capital outlay	2,000	-	2,000	-
Total township board	8,550	6,333	2,217	5,276
Supervisor				
Salary	7,900	7,900	-0-	7,900
Deputy wages	-	48	(48)	-
Postage	50	-	50	-
Dues	500	252	248	58
Capital outlay	50	-	50	-
Miscellaneous	150	88	62	-
Total supervisor	8,650	8,288	362	7,958
Clerk				
Salary	10,020	10,020	-0-	10,020
Deputy wages	2,400	1,965	435	2,310
Postage	300	244	56	269
Supplies	1,200	1,022	178	1,365
Bonding insurance	200	-	200	-
Education	500	217	283	460
Capital outlay	100	-	100	-
Miscellaneous	200	55	145	46
Total clerk	14,920	13,523	1,397	14,470
Board of review				
Per Diem	700	525	175	600
Postage	15	-	15	-
Printing and publishing	50	18	32	32
Education	120	-	120	70
Total board of review	885	543	342	702

Township of Fulton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004  
With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES - CONTINUED				
General government - continued				
Treasurer				
Salary	\$ 10,020	\$ 10,020	-0-	\$ 10,020
Deputy wages	1,250	1,128	122	837
Postage	1,500	1,708	(208)	792
Supplies	100	136	(36)	79
Printing and publishing	6,900	6,701	199	2,755
Bonding insurance	200	-	200	-
Education	500	287	213	490
Miscellaneous	500	250	250	-
Total treasurer	20,970	20,230	740	14,973
Assessor				
Salary	5,500	5,500	-0-	5,500
Postage	550	550	-0-	533
Supplies	800	18	782	-
Printing and publishing	2,800	2,124	676	2,782
Dues	300	399	(99)	108
Miscellaneous	250	96	154	-
Total assessor	10,200	8,687	1,513	8,923
Elections				
Salaries	600	-	600	838
Postage	200	69	131	145
Supplies	200	91	109	176
Printing and publishing	150	-	150	-
Maintenance	800	-	800	1,333
Miscellaneous	100	-	100	-
Total elections	2,050	160	1,890	2,492
Township hall				
Salaries	2,200	2,163	37	2,226
Temporary help wages	1,000	816	184	903
Supplies	850	618	232	1,183
Electricity	3,000	2,934	66	3,090
Gas heat	2,900	3,763	(863)	3,511
Telephone	1,250	1,099	151	1,159

Township of Fulton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004  
With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES - CONTINUED				
General government - continued				
Township hall - continued				
Repairs and maintenance	\$ 3,000	\$ 1,244	\$ 1,756	\$ 2,739
Equipment rental	800	475	325	400
Capital outlay	2,500	662	1,838	-
Miscellaneous	300	151	149	100
Total township hall	17,800	13,925	3,875	15,311
Cemetery				
Salary	11,200	11,090	110	11,579
Temporary help wages	6,000	5,505	495	5,886
Supplies	900	1,261	(361)	1,125
Electricity	400	499	(99)	362
Repairs and maintenance	1,000	952	48	242
Equipment rental	6,800	5,752	1,048	6,405
Miscellaneous	500	-	500	-
Total cemetery	26,800	25,059	1,741	25,599
Total general government	110,825	96,748	14,077	95,704
Public safety				
Fire				
Fire runs	600	600	-0-	-
Fire contracts	25,000	25,000	-0-	25,000
Total public safety	25,600	25,600	-0-	25,000
Public works				
Drains				
Drains at large	12,000	6,525	5,475	12,831
Highways, streets, and bridges				
Maintenance	3,848	3,847	1	3,847
Dust layer application	12,900	12,600	300	11,700
Resurfacing/improvements	32,700	26,772	5,928	27,422
Culverts and tubes	21,000	20,100	900	20,700
Miscellaneous	100	-	100	-
Total highways, streets, and bridges	70,548	63,319	7,229	63,669
Total public works	82,548	69,844	12,704	76,500

Township of Fulton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004  
With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES - CONTINUED				
Community and economic development				
Zoning				
Per Diem	\$ 600	\$ 295	\$ 305	\$ 345
Permits	400	470	(70)	680
Supplies	50	77	(27)	10
Postage	100	15	85	12
Printing and publishing	100	202	(102)	-
Total community and economic development	1,250	1,059	191	1,047
Other				
Insurance	4,200	4,173	27	3,806
Social security	5,000	4,492	508	4,619
Total other	9,200	8,665	535	8,425
TOTAL EXPENDITURES	229,423	201,916	27,507	206,676
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,283)	6,324	35,607	13,959
OTHER FINANCING SOURCES				
Operating transfer in	800	288	(512)	1,170
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(28,483)	6,612	35,095	15,129
Fund balance, beginning of year	272,887	272,887	-0-	257,758
Fund balance, end of year	\$ 244,404	\$ 279,499	\$ 35,095	\$ 272,887

Township of Fulton  
Special Revenue Funds  
COMBINING BALANCE SHEET  
March 31, 2004

	<u>Pompeii Street Lighting</u>	<u>Middleton Street Lighting</u>	<u>Total</u>
ASSETS			
Cash	\$ 4,908	\$ 4,982	\$ 9,890
Due from other governmental units - local	<u>193</u>	<u>692</u>	<u>885</u>
TOTAL ASSETS	<u><u>\$ 5,101</u></u>	<u><u>\$ 5,674</u></u>	<u><u>\$ 10,775</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 321	\$ 2,211	\$ 2,532
FUND BALANCES			
Unreserved - undesignated	<u>4,780</u>	<u>3,463</u>	<u>8,243</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,101</u></u>	<u><u>\$ 5,674</u></u>	<u><u>\$ 10,775</u></u>

Township of Fulton

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2004

	<u>Pompeii Street Lighting</u>	<u>Middleton Street Lighting</u>	<u>Total</u>
REVENUES			
Special assessments			
Street lighting	\$ 1,566	\$ 5,642	\$ 7,208
EXPENDITURES			
General government			
Professional services	100	100	200
Public works			
Street lighting	<u>951</u>	<u>5,307</u>	<u>6,258</u>
TOTAL EXPENDITURES	<u>1,051</u>	<u>5,407</u>	<u>6,458</u>
EXCESS OF REVENUES OVER EXPENDITURES	515	235	750
Fund balances, beginning of year	<u>4,265</u>	<u>3,228</u>	<u>7,493</u>
Fund balances, end of year	<u><u>\$ 4,780</u></u>	<u><u>\$ 3,463</u></u>	<u><u>\$ 8,243</u></u>

Township of Fulton

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended March 31, 2004  
With Actual Amounts for Year Ended March 31, 2003

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2003 Actual</u>
<u>Pompeii Street Lighting</u>				
REVENUES				
Special assessments				
Street lighting	\$ 1,600	\$ 1,566	\$ (34)	\$ 1,574
EXPENDITURES				
General government				
Professional services	100	100	-0-	100
Public works				
Street lighting	980	951	29	949
TOTAL EXPENDITURES	<u>1,080</u>	<u>1,051</u>	<u>29</u>	<u>1,049</u>
EXCESS OF REVENUES OVER EXPENDITURES	520	515	(5)	525
Fund balance, beginning of year	<u>4,265</u>	<u>4,265</u>	<u>-0-</u>	<u>3,740</u>
Fund balance, end of year	<u>\$ 4,785</u>	<u>\$ 4,780</u>	<u>\$ (5)</u>	<u>\$ 4,265</u>

Middleton Street Lighting

REVENUES				
Special assessments				
Street lighting	\$ 5,450	\$ 5,642	\$ 192	\$ 5,441
EXPENDITURES				
General government				
Professional services	100	100	-0-	100
Public works				
Street lighting	5,450	5,307	143	5,300
TOTAL EXPENDITURES	<u>5,550</u>	<u>5,407</u>	<u>143</u>	<u>5,400</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(100)	235	335	41
Fund balance, beginning of year	<u>3,228</u>	<u>3,228</u>	<u>-0-</u>	<u>3,187</u>
Fund balance, end of year	<u>\$ 3,128</u>	<u>\$ 3,463</u>	<u>\$ 335</u>	<u>\$ 3,228</u>

Township of Fulton

Enterprise Funds

COMBINING BALANCE SHEET

March 31, 2004

	Gratiot County Sewage Systems			
	#5 Sewer	#6 Sewer	Pompeii Sewer	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 705,769	\$ 173,980	\$ 55,368	\$ 935,117
Investments	527,475	-	-	527,475
Receivables				
Accounts	10,935	9,841	5,069	25,845
Due from other funds	3,175	-	-	3,175
Due from other governmental units - local	18,296	1,135	-	19,431
Special assessments - current	3,339	-	13,207	16,546
Interest	4,262	-	-	4,262
Total current assets	1,273,251	184,956	73,644	1,531,851
Other assets				
Special assessments - deferred	6,955	-	255,605	262,560
Advance to other funds	30,755	-	-	30,755
Total other assets	37,710	-0-	255,605	293,315
Fixed assets				
Property, plant, and equipment	1,258,713	691,506	470,995	2,421,214
Accumulated depreciation	(922,422)	(487,762)	(72,414)	(1,482,598)
Net fixed assets	336,291	203,744	398,581	938,616
TOTAL ASSETS	\$1,647,252	\$ 388,700	\$ 727,830	\$ 2,763,782



Township of Fulton

Enterprise Funds

COMBINING BALANCE SHEET - CONTINUED

March 31, 2004

	Gratiot County Sewage Systems			
	#5 Sewer	#6 Sewer	Pompeii Sewer	Total
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Current liabilities				
Due to other funds	\$ 5,164	\$ 3,235	\$ 4,405	\$ 12,804
Due to other governmental units - local	380	-	-	380
Accrued liabilities	-	-	4,537	4,537
Bonds payable - current	-	-	3,310	3,310
Total current liabilities	5,544	3,235	12,252	21,031
Long-term liabilities				
Bonds payable	-	-	185,217	185,217
Advance from other funds	-	-	30,755	30,755
Total long-term liabilities	-0-	-0-	215,972	215,972
TOTAL LIABILITIES	5,544	3,235	228,224	237,003
FUND EQUITY				
Contributed capital	1,207,820	455,627	626,398	2,289,845
Retained earnings (deficit) - unreserved	433,888	(70,162)	(126,792)	236,934
TOTAL FUND EQUITY	1,641,708	385,465	499,606	2,526,779
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,647,252</u>	<u>\$ 388,700</u>	<u>\$ 727,830</u>	<u>\$ 2,763,782</u>

Township of Fulton

Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS

Year Ended March 31, 2004

	Gratiot County Sewage Disposal Systems			
	#5 Sewer	#6 Sewer	Pompeii Sewer	Total
OPERATING REVENUES				
Sewer usage charges	\$ 41,088	\$ 35,583	\$ 6,890	\$ 83,561
Miscellaneous	275	425	-	700
TOTAL OPERATING REVENUES	41,363	36,008	6,890	84,261
OPERATING EXPENSES				
Salaries and wages	11,090	5,729	1,889	18,708
Social security	861	446	146	1,453
Other fringe benefits	250	250	-	500
Health insurance	4,494	4,494	-	8,988
Workers' compensation	408	204	68	680
Supplies	881	227	63	1,171
Professional services	500	500	331	1,331
Utilities	4,232	2,645	1,919	8,796
Equipment rental	1,420	355	193	1,968
Repairs and maintenance	11,099	10,276	2,851	24,226
Insurance	693	346	29	1,068
Depreciation	32,379	16,923	11,775	61,077
Miscellaneous	160	148	98	406
TOTAL OPERATING EXPENSES	68,467	42,543	19,362	130,372
OPERATING (LOSS)	(27,104)	(6,535)	(12,472)	(46,111)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	32,519	2,453	931	35,903
Interest and fiscal charges	-	-	(12,802)	(12,802)
TOTAL NONOPERATING REVENUES (EXPENSES)	32,519	2,453	(11,871)	23,101
NET INCOME (LOSS)	5,415	(4,082)	(24,343)	(23,010)
Retained earnings (deficits), beginning of year	428,473	(66,080)	(102,449)	259,944
Retained earnings (deficits), end of year	<u>\$ 433,888</u>	<u>\$ (70,162)</u>	<u>\$ (126,792)</u>	<u>\$ 236,934</u>

Township of Fulton

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended March 31, 2004

	Gratiot County Sewage Disposal Systems			
	#5 Sewer	#6 Sewer	Pompeii Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating (loss)	\$ (27,104)	\$ (6,535)	\$ (12,472)	\$ (46,111)
Adjustments to reconcile operating (loss) to net cash provided by operating activities				
Depreciation	32,379	16,923	11,775	61,077
(Increase) decrease in receivables	3,509	(372)	12,213	15,350
Decrease in due from other funds	425	-	-	425
(Decrease) in accrued liabilities	(164)	(102)	(102)	(368)
Increase in due to other funds	4,819	896	2,454	8,169
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,864	10,810	13,868	38,542
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	32,519	2,453	931	35,903
Maturity of investments	47,327	19,000	-	66,327
NET CASH PROVIDED BY INVESTING ACTIVITIES	79,846	21,453	931	102,230
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment on advance from other funds	-	-	(1,559)	(1,559)
Payment on advance to other funds	1,559	-	-	1,559
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,559	-0-	(1,559)	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(23,621)	-	-	(23,621)
Payment of bonds payable	-	-	(3,309)	(3,309)
Interest and fiscal charges	-	-	(12,802)	(12,802)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(23,621)	-0-	(16,111)	(39,732)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	71,648	32,263	(2,871)	101,040
Cash and cash equivalents, beginning of year	634,121	141,717	58,239	834,077
Cash and cash equivalents, end of year	\$ 705,769	\$ 173,980	\$ 55,368	\$ 935,117

Township of Fulton  
Trust and Agency Funds  
COMBINING BALANCE SHEET  
March 31, 2004

	Nonexpendable Trust Fund	Agency Fund	
	Cemetery Perpetual Care	Current Tax Collections	Total
ASSETS			
Cash	\$ 22,307	\$ 155	\$ 22,462
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ 155	\$ 155
FUND BALANCES			
Reserved for perpetual care	22,307	-	22,307
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,307	\$ 155	\$ 22,462

Township of Fulton

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance Apr. 1, 2003	Additions	Deductions	Balance Mar. 31, 2004
ASSETS				
Cash	\$ 166	\$ 1,090,616	\$ 1,090,627	\$ 155
LIABILITIES				
Due to other governmental units				
Schools				
Fulton Schools	\$ -	\$ 287,996	\$ 287,996	\$ -0-
Ithaca Schools	-	10,811	10,811	-0-
St. Johns Schools	-	680	680	-0-
Clinton County Regional Educational Service Agency	-	337	337	-0-
County				
State Education Tax	-	236,897	236,897	-0-
Gratiot-Isabella Intermediate	-	191,474	191,474	-0-
Other	-	300,291	300,291	-0-
Due to other funds				
General	166	49,984	49,995	155
Sewer #5 and #6	-	5,824	5,824	-0-
Pompeii Street Lighting	-	1,373	1,373	-0-
Middleton Street Lighting	-	4,949	4,949	-0-
TOTAL LIABILITIES	\$ 166	\$ 1,090,616	\$ 1,090,627	\$ 155

Township of Fulton

STATEMENT OF GENERAL FIXED ASSETS

March 31, 2004

ASSETS

Land and improvements	\$ 22,505
Buildings	221,251
Furniture and fixtures	4,914
Machinery and equipment	<u>35,289</u>

TOTAL ASSETS	<u>\$ 283,959</u>
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INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 283,959</u>
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Township of Fulton

SCHEDULE OF BONDED DEBT OUTSTANDING

March 31, 2004

Pompeii Community Sanitary Sewer System Bonds

Purpose: To pay the Township's portion of construction costs related to the installation of a sanitary sewage disposal system in the Pompeii Community.

Issue: \$320,000 total bond issue; the bond payable liability is split \$211,680 for Fulton Township and \$108,320 for Washington Township.

Dated: August 1, 1996

Redemption: Bonds maturing in the years 2007 through 2023 inclusive, are subject to call at the option of the County, on any interest payment date on or after May 1, 2006, at par and accrued interest plus a premium. Principal is due on May 1, and interest is payable semi-annually on May 1 and November 1.

<u>Year Ending March 31,</u>	<u>Interest Rate</u>	<u>Actual Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Due</u>
2005	5.1%	\$ 3,310	\$ 10,835	\$ 14,145
2006	5.1	6,615	10,584	17,199
2007	5.1	6,615	10,243	16,858
2008	5.2	6,615	9,896	16,511
2009	5.3	6,615	9,542	16,157
2010	5.4	6,615	9,182	15,797
2011	5.5	9,922	8,722	18,644
2012	5.6	9,922	8,161	18,083
2013	5.7	9,922	7,591	17,513
2014	5.8	9,922	7,015	16,937
2015	5.8	9,922	6,435	16,357
2016	5.9	9,922	5,849	15,771
2017	6.9	13,230	5,160	18,390
2018	6.0	13,230	4,366	17,596
2019	6.0	13,230	3,572	16,802
2020	6.0	13,230	2,778	16,008
2021	6.0	13,230	1,985	15,215
2022	6.0	13,230	1,191	14,421
2023	6.0	13,230	397	13,627
		<u>\$ 188,527</u>	<u>\$ 123,504</u>	<u>\$ 312,031</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Members of the Township Board  
Township of Fulton  
Perrinton, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Fulton, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. The Township should review their listing general fixed assets for completeness and incorporate estimated useful lives for each general fixed asset listed.

During our analysis of general fixed assets activity for the year, we noted that although the Township has maintained historical cost information for general fixed assets, estimated useful lives for each general fixed asset have not been assigned.

The Township is required to implement GASB Statement No. 34 no later than fiscal year ending March 31, 2005, which will require government-wide financial statements prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, capital assets are depreciated over their estimated useful lives. To the extent possible, the depreciation expense should be allocated to the appropriate function of the government. In order to calculate beginning accumulated depreciation for capital assets for the fiscal year ending March 31, 2005, estimated useful lives will need to be assigned to the capital assets.

We suggest the Township review their listing of capital assets to assure that the listing is complete and accurate and assign estimated useful lives, where applicable. Such information should then be used to calculate accumulated depreciation for the capital assets through March 31, 2004. Compiling this data related to the Township's capital assets will facilitate the implementation of GASB Statement No. 34.

2. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, utility billing, etc.).



While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated May 10, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Fulton, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 10, 2004